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Shipping Your Product

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When shipping a product overseas, the exporter must be aware of packing, labeling, documentation, and insurance requirements. It is important that exporters ensure that the merchandise is:

- Packed correctly so that it arrives in good condition;
- Labeled correctly to ensure that the goods are handled properly and arrive on time at the right place;
- Documented correctly to meet U.S. and foreign government requirements, as well as proper collection standards; and
- Insured against damage, loss, pilferage and delay.

Most exporters rely on an international freight forwarder to perform these services because of the multitude of considerations involved in physically exporting goods.

Freight Forwarders

An international freight forwarder is an agent for the exporter in moving cargo to an overseas destination. These agents are familiar with the import rules and regulations of foreign countries, the export regulations of the U.S. government, the methods of shipping, and the documents related to foreign trade. Export freight forwarders are licensed by the International Air Transport Association (IATA) to handle air freight and the Federal Maritime Commission to handle ocean freight.

Freight forwarders assist exporters in preparing price quotations by advising on freight costs, port charges, consular fees, costs of special documentation, insurance costs, and their handling fees. They recommend the packing methods that will protect the merchandise during transit or can arrange to have the merchandise packed at the port or containerized. If the exporter prefers, freight forwarders can reserve the necessay space on a vessel, aircraft, train, or truck. The cost for their services is a legitimate export cost that should be included in the price charged to the customer (see ***Chapter 11*** for pricing information.).

Once the order is ready for shipment, freight forwarders should be review all documents to ensure that everything is in order. This is of particular importance with letter of credit payment terms. They may also prepare the bill of lading and any special required documentation. After shipment, they can route the documents to the seller, the buyer, or to a paying bank. Freight forwarders can also make arrangements with customs brokers overseas to ensure that the goods comply with customs export documentation regulations. A customs broker is an individual or company that is licensed to transact customs business on behalf of others. Customs business is limited to those activities involving transactions related to the entry and admissibility of merchandise; its classification and valuation; the payment of duties, taxes, or other charges assessed or collected; or the refund, rebate, or drawback thereof.

Packing

Exporters should be aware of the demands that international shipping puts on packaged goods. Exporters should jeep four potential problems in mind when designing an export shipping crate: breakage, moisture, pilferage and excess weight.

Generally, cargo is carried in containers, but sometimes it is still shipped as breakbulk cargo. Besides the normal handling encountered in domestic transportation, a breakbulk shipment transported by ocean freight may be loaded aboard vessels in a net or by a sling, conveyor, or chute, that puts an added strain on the package. During the voyage, goods may be stacked on top of or come into violent contact with other goods. Overseas, handling facilities may be less sophisticated than in the United States and the cargo could be dragged, pushed, rolled, or dropped during unloading, while moving through customs, or in transit to the final destination.

Moisture is a constant concern because condensation may develop in the hold of a ship even if it is equipped with air conditioning and a dehumidifier. Another aspect of this problem is that cargo may also be unloaded in precipitation, or the foreign port may not have covered storage facilities. Theft and pilferage are added risks.

Buyers are often familiar with the port systems overseas, so they will often specify packaging requirements. If the buyer does not specify this, be sure the goods are prepared using these guidelines:

- Pack in strong containers, adequately sealed and filled when possible.
- To provide proper bracing in the container, regardless of size, make sure the weight is evenly distributed.
- Goods should be palletized and when possible containerized.
- Packages and packing filler should be made of moisture-resistant material.
- To avoid pilferage, avoid writing contents or brand names on packages. Other safeguards include using straps, seals, and shrink wrapping.
- Observe any product-specific hazardous materials packing requirements.

One popular method of shipment is to use containers obtained from carriers or private leasing companies. These containers vary in size, material, and construction and accommodate most cargo, but they are best suited for standard package sizes and shapes. Also, refrigerated and liquid bulk containers are usually readily available. Some containers are no more than semi-truck trailers lifted off their wheels, placed on a vessel at the port of export and then transferred to another set of wheels at the port of import.

Normally, air shipments require less heavy packing than ocean shipments, though they should still be adequately protected, especially if they are highly pilferable. In many instances, standard domestic packing is acceptable, especially if the product is durable and there is no concern for display packaging. In other instances, high-test (at least 250 pounds per square inch) cardboard or tri-wall construction boxes are more than adequate.

Finally, because transportation costs are determined by volume and weight, specially reinforced and lightweight packing materials have been developed for exporting. Packing goods to minimize volume and weight while reinforcing them may save money, as well as ensure that the goods are properly packed. It is recommended that a professional firm be hired to pack the products if the supplier is not equipped to do so. This service is usually provided at a moderate cost.

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Labeling

Specific marking and labeling is used on export shipping cartons and containers to:

- Meet shipping regulations;
- Ensure proper handling;
- Conceal the identity of the contents;
- Help receivers identify shipments; and
- Insure compliance with environmental and safety standards.

The overseas buyer usually specifies which export marks should appear on the cargo for easy identification by receivers. Products can require many markings for shipment. For example, exporters need to put the following markings on cartons to be shipped:

- Shipper's mark;
- Country of origin (U.S.A.);
- Weight marking (in pounds and in kilograms);
- Number of packages and size of cases (in inches and centimeters);
- Handling marks (international pictorial symbols);
- Cautionary markings, such as "This Side Up" or "Use No Hooks" (in English and in the language of the country of destination);
- Port of entry;
- Labels for hazardous materials (universal symbols adapted by the International Airi Transport Association and the International Maritime Organization); and;
- Ingredients (if applicable, also included in the language of the destination country).

Packages should be clearly marked to prevent misunderstandings and delays in shipping. Letters are generally stenciled onto packages and containers in waterproof ink. Markings should appear on three faces of the container, preferably on the top and on the two ends or the two sides. Ant old markings must be completely removed from previously used packaging.

In addition to the port marks, the customer identification code, and an indication of origin, the marks should include the package number, gross and net weights, and dimensions. If more than one package is being shipped, the total number of packages in the shipment should be included in the markings. The exporter should also add any special handling instructions. It is a good idea to repeat these instructions in the language of the country of destination. and use standard international shipping and handling symbols.

Customs regulations regarding freight labeling are strictly enforced. For example, many countries require that the country of origin be clearly labeled on each imported package. Most freight forwarders and export packing specialists can supply the necessary information regarding specific regulations.

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Documentation

Exporters should seriously consider having the freight forwarder handle the formidable amount of documentation that exporting requires as forwarders are specialists in this process. The following documents are commonly used in exporting; but which of them are necessary in a particular transaction depends on the requirements of the U.S. government and the government of the importing country.

- Air freight shipments are handled by ***air waybills***, which can never be made in negotiable form (see ***figure 1***).

- A ***bill of lading*** is a contract between the owner of the goods and the carrier (as with domestic shipments). For vessels, there are two types: a straight bill of lading which is nonnegotiable and a negotiable or shipper's order bill of lading. The latter can be bought, sold, or traded while the goods are in transit. The customer usually needs an original as proof of ownership to take possession of the goods (see ***figure 3*** for a Short Form Straight Bill of Lading and ***figure 8*** for a Liner Bill of Lading).

- A ***commercial invoice*** is a bill for the goods from the seller to the buyer. These invoices are often used by governments to determine the true value of goods when assessing customs duties. Governments that use the commercial invoice to control imports will often specify its form, content, number of copies, language to be used, and other characteristics (see ***figure 2***).

- A ***consular invoice*** is a document that is required in some countries. It describes the shipment of goods and shows information such as the consignor, consignee, and value of the shipment. Certified by the consular official of the foreign country stationed here, it is used by the country's customs officials to verify the value, quantity, and nature of the shipment.

- A ***certificate of origin*** is a document that is required in certain nations. It is a signed statement as to the origin of the export item. Certificate of origin are usually signed through a semiofficial organization, such as a local chamber of commerce. A certificate may still be required even if the commercial invoice contains the information (see ***figure 4***).

- A ***NAFTA certificate of origin*** is required for products traded among the NAFTA countries (Canada, the United States, and Mexico).

- ***Inspection certification*** is required by some purchasers and countries in order to attest to the specifications of the goods shipped. This is usually performed by a third party and often obtained from independent testing organizations.

- A ***dock receipt and a warehouse receipt*** are used to transfer accountability when the export item is moved by the domestic carrier to the port of embarkation and left with the ship line for export.

- A ***destination control statement*** appears on the commercial invoice, and ocean or air waybill of lading to notify the carrier and all foreign parties that the item can be exported only to certain destinations.

- A ***Shipper's Export Declaration(SED)*** is used to control exports and act as a source document for official U.S. export statistics. SEDs must be prepared for shipments through the U.S. Postal Service when the shipment is valued over $500. SEDs are required for shipments not using the U.S. Postal Service when the value of the commodities, classified under any single Schedule B number, is over $2,500. SEDs must be prepared, regardless of value, for all shipments requiring an export license or destined for countries restricted by the Export Administration Regulations (see ***Chapter 9***). SEDs are prepared by the exporter or the exporter's agent and delivered to the exporting carrier (for example, the post office, airline, or vessel line). The exporting carrier will present the required number of copies to the U.S. Customs Service at the port of export (see ***figure 5***). Often, the SED is prepared as a by-product of another document, the Shipper's Letter of Instructions, as shown in ***figure 6***.

- An ***export license*** is a government document that authorizes the export of specific goods in specific quantities to a particular destination. This document may be required for most or all exports to some countries or for other countries only under special circumstances.

- An ***export packing list*** considerably more detailed and informative than a standard domestic packing list. It an itemizes the material in each individual package and indicates the type of package, such as a box, crate, drum, or carton. It also shows the individual net, legal, tare, and gross weights and measurements for each package (in both U.S. and metric systems). Package markings should be shown along with the shipper's and buyer's references. The list is used by the shipper or forwarding agent to determine the total shipment weight and volume and whether the correct cargo is being shipped. In addition, U.S. and foreign customs officials may use the list to check the cargo (see ***figure 7***).

- An ***insurance certificate*** is used to assure the consignee that insurance will cover the loss of or damage to the cargo during transit (see ***figure 7***).

Documentation must be precise because slight discrepancies or omissions may prevent merchandise from being exported, result in nonpayment, or even result in the seizure of the exporter's goods by U.S. or foreign government customs. Collection documents are subject to precise time limits and may not be honored by a bank if the time has expired. Most documentation is routine for freight forwarders and customs brokers, but the exporter is ultimately responsible for the accuracy of its documents.

The number and kind of documents the exporter must deal with varies depending on the destination of the shipment. Because each country has different import regulations, the exporter must be careful to provide all proper documentation. The following sources also provide information pertaining to foreign import restrictions:

- Export Assistance Centers (see http://www.doc.gov).

- The Trade Information Center (1-800-USA-TRADE).

- Foreign government embassies and consulates in the United States.

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The handling of transportation is similar for domestic and export orders. Export marks are added to the standard information on a domestic bill of lading. These marks show the name of the exporting carrier and the latest allowed arrival date at the port of export. Instructions for the inland carrier to notify the international freight forwarder by telephone upon arrival should also be included.

Exporters may find it useful to consult with a freight forwarder when determining the method of international shipping. Since carriers are often used for large and bulky shipments, the exporter should reserve space on the carrier well before actual shipment date. This reservation is called the booking contract.

International shipments are increasingly made on a through bill of lading under a multimodal contract. The multimodal transit operator (frequently one of the transporters) takes charge of and responsibility for the entire movement from factory to final destination.

The cost of the shipment, the delivery schedule, and the accessibility to the shipped product by the foreign buyer are all factors to consider when determining the method of international shipping. Although air carriers can be more expensive, their cost may be offset by lower domestic shipping costs (for example, using a local airport instead of a coastal seaport) and quicker delivery times. These factors may give the U.S. exporter an edge over other competitors.

Before shipping, the U.S. firm should be sure to check with the foreign buyer about the destination of the goods. Buyers often want the goods to be shipped to a free-trade zone or a free port where they are exempt from import duties (see ***Chapter 9***).

Insurance

Damaging weather conditions, rough handling by carriers, and other common hazards to cargo make insurance an important protection for U.S. exporters. If the terms of sale make the exporter responsible for insurance, the exporter should either obtain its own policy or insure the cargo under a freight forwarder's policy for a fee. If the terms of sale make the foreign buyer responsible, the exporter should not assume (or even take the buyer's word) that adequate insurance has been obtained. If the buyer neglects to obtain adequate coverage, damage to the cargo may cause a major financial loss to the exporter.

Shipments by sea are covered by marine cargo insurance (see ***figure 9***).

Air shipments may also be covered by marine cargo insurance or insurance may be purchased from the air carrier.

Export shipments are usually insured against loss, damage, and delay in transit by cargo insurance. Carrier liability is frequently limited by international agreements. Additionally, the coverage is substantially different from domestic coverage. Arrangements for insurance may be made by either the buyer or the seller, in accordance with the terms of sale. Exporters are advised to consult with international insurance carriers or freight forwarders for more information.

Although sellers and buyers can agree to different components, coverage is usually placed at 110 percent of the CIF (cost, insurance, freight) or CIP (carriage and insurance paid to) value.

Tariffs

Finally, it is very important to consider the effects of tariffs, port handling fees, and taxes when determining your product's final cost as they can be high. Typically, the importer pays these charges. However, these costs will influence how much the buyer is willing to pay for your product.

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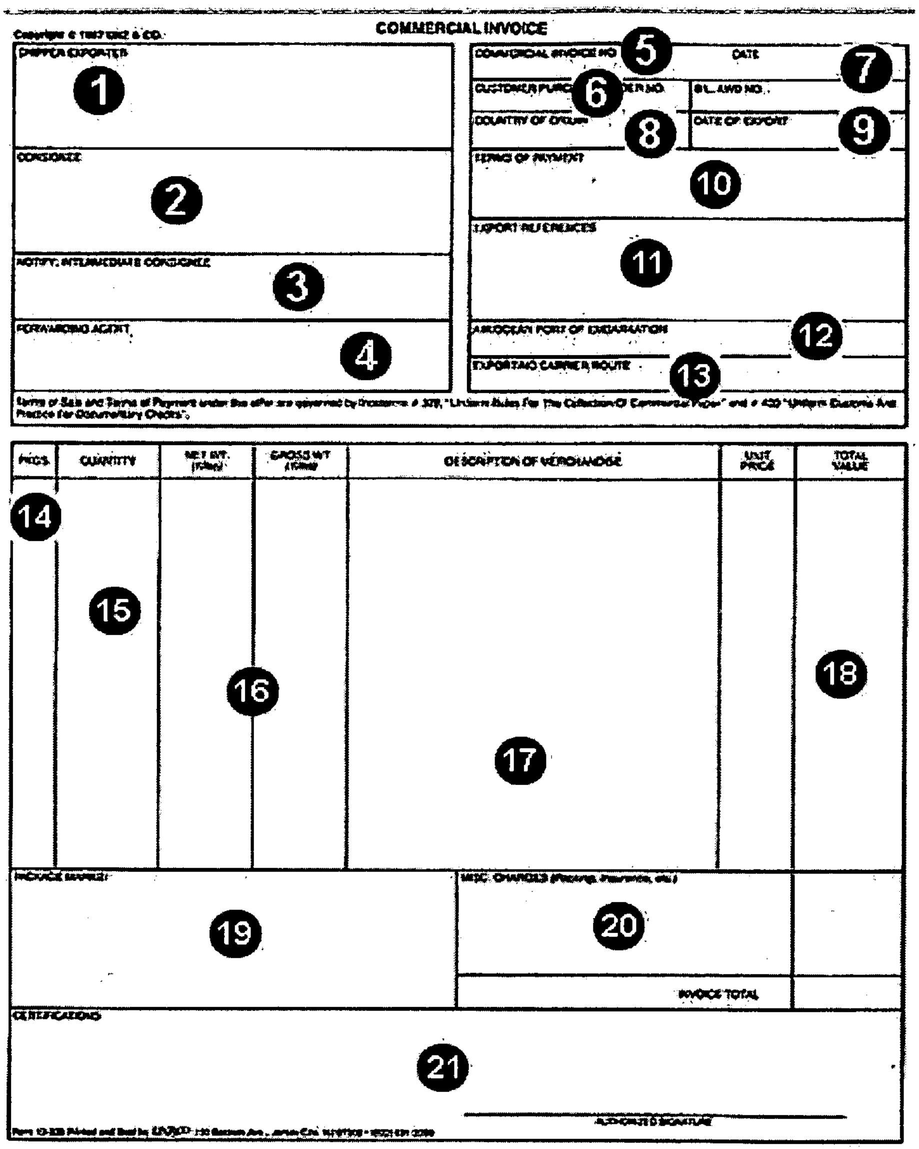
Figure 2
Sample Commercial Invoice


COMMERCIAL INVOICE

SHIPPER/EXPORTER (1)

CONSIGNEE (2)

NOTIFY: INTERMEDIATE CONSIGNEE (3)

FORWARDING AGENT (4)

COMMERCIAL INVOICE NO. (5)

DATE (7)

CUSTOMER PURCHASE ORDER NO. (6)

B/L, AWB NO.

COUNTRY OF ORIGIN (8)

DATE OF EXPORT (9)

TERMS OF PAYMENT (10)

EXPORT REFERENCES (11)

AIR/OCEAN PORT OF EMBARKATION (12)

EXPORTING CARRIER/ROUTE (13)

PKGS.	QUANTITY	NET WT. (kilos)	GROSS WT (kilos)	DESCRIPTION OF MERCHANDISE	UNIT PRICE	TOTAL VALUE
14	15	16	16	17		18

PACKAGE MARKS: (19)

MISC. CHARGES (Packing, Insurance, etc.) (20)

INVOICE TOTAL

CERTIFICATIONS (21)

AUTHORIZED SIGNATURE

1. **EXPORTER** - The name and address of the principal party responsible for effecting export from the United States. The exporter as named on the Export License.

2. **CONSIGNEE** - The name and address of the person/company to whom the goods are shipped for the designated end use, or the party so designated on the Export License.

3. **INTERMEDIATE CONSIGNEE** - The name and address of the party who effects delivery of the merchandise to the ultimate consignee, or the party so named on the Export License.

4. **FORWARDING AGENT** - The name and address of the duly authorized forwarder acting as agent for the exporter.

5. **COMMERCIAL INVOICE NO.** - Commercial Invoice number assigned by the exporter.

6. **CUSTOMER PURCHASE ORDER NO.** - Overseas customer's reference of order number.

7. **B/L, AWB NO.** - Bill of Lading, or Air Waybill number, if known.

8. **COUNTRY OF ORIGIN** - Country of origin of shipment.

9. **DATE OF EXPORT** - Actual date of export of merchandise.

10. **TERMS OF PAYMENT** - Describe the terms, conditions, and currency of settlement as agreed upon by the vendor and purchaser per the Pro Forma Invoice, customer Purchase Order, and/or Letter of Credit.

11. **EXPORT REFERENCES** - May be used to record other useful information, e.g. - other reference numbers, special handling requirements, routing requirements, etc.

12. **AIR/OCEAN PORT OF EMBARKATION** - Ocean port/pier, or airport to be used for embarkation of merchandise.

13. **EXPORTING CARRIER/ROUTE** - Record airline carrier/flight number or vessel name/shipping line to be used for the shipment of merchandise.

14. **PACKAGES** - Record number of packages, cartons, or containers per description line.

15. **QUANTITY** - Record total number of units per description line.

16. **NET WEIGHT/GROSS WEIGHT** - Record total net weight and total gross weight (includes weight of container) in kilograms per description line.

17. **DESCRIPTION OF MERCHANDISE** - Provide a full description of items shipped, the type of container (carton, box, pack, etc.), the gross weight per container, and the quantity and unit of measure of the merchandise.

18. **UNIT PRICE/TOTAL VALUE** - Record the unit price of the merchandise per the unit of measure, compute the extended total value of the line.

19. **PACKAGE MARKS** - Record in this Field, as well as on each package, the package number (e.g. - 1 of 7, 3 of 7, etc.), shippers company name, country of origin (e.g. - made in USA), destination port of entry, package weight in kilograms, package size (length x width x height), and shipper's control number (e.g. - C/I number; optional).

20. **MISC. CHARGES** - Record any miscellaneous charges which are to be paid for by the customer - export transportation, insurance, export packaging, inland freight to pier, etc.

21. **CERTIFICATIONS** - any certifications or declarations required of the shipper regarding any information recorded on the commercial invoice.

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